

**STATEMENT OF
CHAIRMAN JULIUS GENACHOWSKI**

Re: *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, *Lifeline and Link-Up Reform and Modernization*, WC Docket No. 11-18

Today we propose to reform and modernize the Lifeline/Link-Up program – to make it more efficient and effective, and to determine how best to meet our national goal of broadband adoption by all Americans.

Since Lifeline was created in 1985 and Congress codified it in the Telecommunications Act of 1996, the program has drawn broad bipartisan support and helped millions of low-income households afford phone service.

But the world has changed considerably since then, and the Lifeline/Link-Up program has not kept pace. Major technological, market, and regulatory changes – including the Commission’s decision in 2005 to allow prepaid wireless resellers to offer Lifeline service – have created new challenges and pressures on the program, as well as new opportunities for consumers.

Yet the Commission has not comprehensively reexamined the program, or implemented clear performance goals or sufficiently robust protections against waste, fraud, and abuse. Every Lifeline/Link-Up dollar that today gets spent on duplicate service, ineligible participants, or other waste or inefficiencies is a dollar that could go to helping more low-income Americans connect.

And Lifeline/Link-Up has grown more rapidly over the past few years, increasing the contribution burden on consumers and businesses throughout the country, which can undermine our universal service goals. Increases in the contribution burden are particularly concerning for the tens of millions of Americans at or near the poverty line who pay for phone service but don’t participate in Lifeline.

That’s why we asked the Federal-State Joint Board on Universal Service to examine the Lifeline/Link-Up program and evaluate a host of issues related to the program’s performance and administration. Late last year, the Joint Board reported back with a series of important and thoughtful recommendations for reform and modernization.

The NPRM we adopt today puts forward these recommendations, as well as proposals from the Government Accountability Office, from the National Broadband Plan, and from a number of private-sector stakeholders.

The NPRM proposes three main types of reforms:

First, we propose immediate reforms to eliminate waste, fraud, abuse, and other misspending in the program – including proposals to eliminate duplicate support to a single household and preventing carriers from obtaining support for consumers that haven’t used their service in months. We also propose to establish a National Accountability Database, administered by an independent third party, to ensure that multiple carriers are not getting Lifeline/Link-Up support to serve the same household, and that only eligible households are participating in the program.

Second, we propose to make the program more accountable – that means accountability for consumers who benefit from the program, carriers that receive support, and government. To do this, we propose reforms like establishing concrete performance goals for the program, and stepping up oversight.

Third, we seek comment on measures – including capping the size of the program – to prevent over-burdening the consumers and businesses that contribute to the Universal Service Fund.

These reforms will provide Lifeline/Link-Up clear goals and robust safeguards, and put the program on a sound footing.

And in the interim, while we're seeking comment on these reforms, we will work to ensure that consumers are not misusing the program and that the companies that receive Lifeline/Link-Up support are living up to their responsibilities to combat waste, fraud, and abuse, including taking adequate precautions to prevent duplicate support.

As we reform Lifeline/Link-Up to be a leaner, more efficient, and more effective program, we're also making sure the program meets consumer needs in the broadband age. Broadband is at least as crucial to full participation in our economy and society in the 21st century as telephone service was in the 20th. We know that increasing broadband adoption is essential for generating economic growth and improving our global competitiveness; a 2009 McKinsey study suggests that a 10% increase in broadband penetration could increase annual GDP by more than \$200 billion in a country with an economy the size of ours in the United States.

Broadband is also crucial for advancing national priorities like education – think of online courses and digital textbooks, and health care – think of two-way video consultations with medical specialists. It's crucial for finding a job, as job postings have moved online, and for landing a job, as companies increasingly require basic digital skills.

Despite the importance of broadband for everyone, more than half of low-income Americans – about 60% – don't have broadband in their homes. Fewer than half of African Americans, Latinos, and Americans without a high school diploma have broadband. And as we heard this morning, fewer than 10% of Native Americans households are online. Especially at a time when countries like South Korea boast broadband adoption rates higher than 90 percent, that's simply not good enough.

Accelerating broadband adoption is one of our great national challenges. But it's not an easy problem to solve. The National Broadband Plan identified a number of major barriers. Many non-adopters lack the digital literacy needed to adopt and use broadband – they don't know how to use a computer or how to navigate a webpage. Many non-adopters don't think broadband is relevant to them or can improve their lives. And affordability is a core obstacle, particularly for low-income Americans. The FCC has been working on a number of initiatives to overcome these barriers and increase broadband adoption and use.

Today, we propose an important step toward this goal: Pilot programs, funded with savings from reforms, to determine how Lifeline/Link-Up can best be used to increase broadband adoption and use among low-income consumers. We'll be looking broadly for the best ideas for accountable, efficient, metrics-based initiatives that will move the needle on broadband adoption.

As we move forward, we should be realistic. Lifeline/Link-Up won't solve the adoption challenge by itself. We need to harness e-government, and think creatively about how different parts of the public sector – federal, state, and local – can be part of the solution.

Government cannot, and should not, meet this challenge alone. Success is going to require sustained attention and effort from broadband providers, technology companies, nonprofit groups, educators, and parents, as well as policymakers.

I'd like to acknowledge and praise existing private efforts and challenge companies to do more in this area. This is as much a win-win as anything I've seen. Every new broadband subscriber helps that subscriber, the company offering service, and our economy and global competitiveness. I look forward to working with a broad range of stakeholders to meet our broadband adoption challenge.

I'd like to thank my fellow Commissioners, who worked together to improve and shape the Notice. I also want to thank the staff, particularly the staff of the Wireline Competition Bureau, for their outstanding work preparing this item.

**STATEMENT OF
COMMISSIONER MICHAEL J. COPPS**

Re: *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, *Lifeline and Link-Up Reform and Modernization*, WC Docket No. 11-18

Connecting low income consumers is a central pillar of this Commission's Universal Service mission. All our people need access to the wonders of communications—and I always underline that word “all.” We can no longer afford to have digital divides between the haves and have-nots. Until each and every citizen of this great country is connected—urban or rural, living on tribal lands or in distressed inner cities, whether they are rich or poor, whether or not they are members of our disabilities communities—our work remains unfinished.

Our Lifeline and Linkup programs help ensure that Americans who need it most have affordable access to the nation's communications networks. Today, that has to mean support for affordable broadband access. The Commission has rightly begun to transition our Universal Service focus across all our programs to the advanced communications services that the digital age requires. Whether it's applying for a job or accessing a public assistance program, doing homework or caring for our health, broadband becomes with each passing day more essential—a basic prerequisite for participation in the social and economic life of our nation. Low-income consumers simply cannot afford to wait for the benefits of broadband. As this item points out, only 40% of households earning less than \$20,000 a year have broadband – compared to a 93% adoption rate for households making more than \$75,000 annually. And we know that cost is a primary barrier to broadband adoption. Disparities that dramatic cry out for immediate action.

At the same time, we must acknowledge that there is still work to be done to ensure that all Americans have access to basic voice service. Almost 10% of low-income households nationally lack telephone service. And I would hazard that many of our distinguished guests from Indian country today could tell us first-hand how much remains to be done on this score. The low-income programs have been historically underutilized and although there has been recent growth in the program, in 2009 only 36% of eligible consumers participated in Lifeline. So I'm pleased that this item builds on the recommendations of the Federal-State Joint Board on Universal Service with regard to outreach and coordinated enrollment when consumers are signing up for other assistance programs. These proposals can potentially expand the reach of the low-income support programs, which is critical as long as telephone penetration rates for low-income households consistently lag behind the rest of the nation.

I certainly support looking for program savings and action to ensure that carriers that are receiving support are doing so in compliance with our rules to prevent waste, fraud and abuse. This item also identifies areas where the program needs to be modernized, such as by updating the rules on toll limitation services reimbursement. I appreciate that as we ask how to enforce the one-per-household rule designed to prevent duplicative support, we acknowledge that some low-income consumers have living situations where a residential address is not a good proxy for a household. I hope any duplicative support or outdated support we do recover is used to expand the benefits of advanced communications to low-income consumers. These savings should be used to provide funding for the proposed broadband pilot programs, which can be an important first step on what I hope is an accelerated transition to a low-income program that helps all Americans reach our national broadband goals.

Our challenge is to close the stubborn and persistent gap of low-income Americans who remain without even basic voice service while transforming the program to provide support for the advanced telecommunications services that all Americans need in order to compete in the 21st century economy. That's a tall order—and that is why I am concerned that this item contemplates capping low-income

support. As we tee up proposals about how to provide support for broadband, capping today's program would be at best imprecise. How can we intelligently cap a program when we don't know how much meeting the challenge is going to cost? At worst, we risk compromising the future of low-income Americans who may never be connected without Lifeline.

My thanks to all the staff in the Bureau whose efforts went into today's item. I also want to acknowledge the Federal-State Joint Board members and staff whose work informed this NPRM. I look forward to working with all these good folks, with my colleagues here, and with all stakeholders in the months ahead.

**STATEMENT OF
COMMISSIONER ROBERT M. McDOWELL**

RE: *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, *Lifeline and Link-Up Reform and Modernization*, WC Docket No. 11-18

If I've learned one thing in my nearly five years on the Commission, it is that our work on universal service reform is a bit like painting the Golden Gate Bridge: a project that is always underway and never seems to end. During my time here, I have advocated for a comprehensive review of all of the programs with a primary goal being curbing the growth of expenditures. As such, today's initiation to revamp the Lifeline/Linkup program is a critical part of our overall reform efforts, and I commend the Chairman for launching this Notice of Proposed Rulemaking.

The original goal of the Lifeline/Linkup program was a noble one: to provide an opportunity for Americans with limited means to stay connected to the rest of the world through basic phone service. This program has improved many lives by not only allowing for everyday communications, but it has also helped save lives by allowing consumers to place emergency calls.

Nonetheless, we cannot ignore the fact that the size of the Lifeline/Linkup program has steadily and dramatically increased. In 1997, the total support for the program was \$162 million, and in 2010 it had risen to \$1.3 billion. This trend is unsustainable. It is encouraging to see that this proceeding attempts to examine and address waste, fraud and abuse within this program. It seems that policymakers often speak of "waste, fraud and abuse" when attempting to create efficiencies in government programs to the point where that term has become hackneyed and virtually meaningless. Today, however, the FCC is actually doing something specific to reverse some troubling trends. For instance, the Notice: seeks comment on ways to ensure duplicate support is not provided; explores ways to prevent companies from receiving funds for inactive customers; and asks for the public's advice on possibly imposing a uniform federal standard as a minimum threshold for verifying continued eligibility. Also, regarding duplicate claims, I am supportive of efforts the Chairman may have to find ways to curb excess and inappropriate spending.

I thank the hard-working staff in the Wireline Competition Bureau for their dedication to this Notice, and I look forward to discussing these issues with all of my colleagues and the various stakeholders. It is my hope that we can move forward in a fiscally prudent and thoughtful way.

**STATEMENT OF
COMMISSIONER MIGNON L. CLYBURN**

RE: *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, *Lifeline and Link-Up Reform and Modernization*, WC Docket No. 11-18

For many years, fulfilling the basic communications needs of low-income consumers has been a priority for our nation. Since 1985, the Lifeline and Link Up programs have ensured millions of low-income Americans access to affordable telephone service. This not only permits these consumers the means to stay connected to friends and family, it also offers them the ability to make doctor's appointments, and call 911 in an emergency. By ensuring that low-income consumers have access to a phone in their homes, our nation has provided every American—no matter their financial circumstance—the lifeline they need to communicate with the rest of the world. For those consumers who are struggling to meet basic needs, such as food and shelter, these programs truly are making a difference. Many would go without phone service, but for these programs. And given the economic downturn over the last several years, it is not surprising that the fund has grown.

We have seen numerous changes in the marketplace since the implementation of the Lifeline and Link Up programs. Notably, mobile wireless service has grown significantly, and competitive Lifeline products are now available, allowing low-income consumers the ability to choose from various phone options. Today, access to high-speed Internet service has become essential for Americans to communicate with one another. As a result, it is appropriate for the Commission to revisit the current structure of the Lifeline and Link Up programs. We must ensure that they are efficient, effective, and address the modern communications needs of our nation's low-income citizens.

While these programs have helped many consumers afford telephone service, not all needs have been addressed. As my friends from the Tribal Nations are fully aware, basic phone service still lags significantly on Tribal Lands as compared to the rest of the country. Today's NPRM builds upon the recommendations made by the Federal-State Joint Board on Universal Service last November, as well as the National Broadband Plan last March. The Commission's consideration of these recommendations is essential for modernizing and improving the programs. By ensuring that only eligible consumers participate in the programs, that the annual verification requirements are effective, and that we minimize duplicative services to households, we likely can extract some efficiencies in the programs that could be used to further address the voice and broadband needs of low-income consumers.

I am encouraged by our full exploration in this Notice of the use of an electronic database that would permit real-time checks on consumer eligibility and participation in the Lifeline and Link Up programs. Such a database has the potential to offer us savings in the long run—savings that could be used to further address the needs of low-income consumers. It is very appropriate that this Commission work towards a broadband-based solution that all Lifeline and Link Up providers could rely upon to make these programs more efficient and effective.

I am also pleased that we are asking some very basic questions in this Notice, such as how much support truly is required for both the initiation of voice service through Link Up, and the monthly benefit that Lifeline provides. Where we can identify savings, those funds could be used to begin addressing and supporting the broadband needs of low-income consumers which we know are significant. Less than half of low-income Americans have subscribed to broadband, and one-third of Americans who have not purchased broadband, say they have not done so due to the expense of obtaining such service.

We also know that for those consumers who are struggling to pay for their basic needs, there is very little discretionary income left to afford broadband service. One analyst recently noted that 40% of

U.S. households have just \$100 of disposable income, after paying for their food, shelter, and transportation. Yet broadband service is just as much a necessity today, as phone service was when the Commission established the Lifeline and Link Up programs 26 years ago. Without broadband at home, it is more difficult for citizens to look for a new job and interact with government services. Indeed, some government agencies only offer their services to consumers via the Internet.

For these reasons, over the last year, I have repeatedly stated that we must fully focus on our nation's broadband adoption gap. I believe that we will not successfully bridge this gap for low-income consumers if we don't address the affordability issue. Given the expansive modern communications needs of low-income Americans, we would be on a fool's errand if we think that we can address both voice and broadband requirements, while simultaneously capping the fund. To be clear, I don't subscribe to the belief that the Fund will meet all of these needs, even if it is not capped. I believe it will take both the public and private sectors to address these issues. I am hopeful that with the discounts providers already offer to low-income consumers, along with the broadband pilot projects proposed herein, and with the flexibility of consumers to use their Lifeline discount for bundled voice and broadband services, we can find effective solutions to bridge the digital divide for most low-income Americans.

This is not an easy task, but I challenge every Lifeline and Link Up provider, every broadband provider, and all other interested stakeholders, including Congress, the states, consumer advocates, and public interest groups, to help us find the most effective solutions for improving the current Lifeline and Link Up programs for voice service, and to stretch the programs' dollars even further, so that we can cover broadband services. I also wish to praise those broadband providers that have recognized the significant need of low-income consumers and have started their own adoption programs, and I hope that they continue to share their work with us. By learning what has and has not been successful, we can better address the modern communications needs of *all* Americans.

**STATEMENT OF
COMMISSIONER MEREDITH ATTWELL BAKER**

RE: *Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Lifeline and Link-Up, WC Docket No. 03-109, Lifeline and Link-Up Reform and Modernization, WC Docket No. 11-18*

The Commission's low-income programs provide the means for 8.6 million Americans to afford basic telephone service, and the ability to reach public safety, schools, and employers. I support our effort to reform these important programs to ensure their long-term sustainability. This item is an appropriate and timely follow-up to last month's review of our high-cost programs, and an important step forward in implementing the Joint Board's November Recommended Decision.

The themes here mirror closely the challenges and opportunities we face with the high-cost fund. To put these programs on a stronger foundation both operationally and financially, we need to take a comprehensive look at these programs to evaluate whether they are effective, fiscally responsible, as well as whether they properly reflect today's consumer demands and market realities.

Operationally, I believe the Commission has let critical questions about program eligibility linger too long, and I am happy to see us take affirmative steps to update these programs and curb waste, fraud, and abuse. As we work together collectively on reform, we need carriers receiving low-income support today to act as responsible partners in the interim minimizing any wasteful or duplicative expenditures.

Our reforms must also reflect the need for greater fiscal discipline in accomplishing our mission. Much like the high-cost fund, the low-income programs have grown significantly. In the past ten years, these programs have more than doubled from \$577 million to over \$1.3 billion today. I support our efforts to address the need for real cost containment, and to recognize that—in difficult economic times—escalating contribution burdens on consumers can create their own affordability challenges undermining our efforts.

We are also beginning our dialogue on how to update these programs to support broadband. I appreciate that we are looking before leaping on broadband funding. By all metrics, adoption of broadband for low-income Americans lies well below the national average, and this poses an important challenge for all of us. The promising news is that the gap is beginning to shrink. Broadband adoption for those making between \$15,000 and \$25,000 a year has jumped from 24 percent in October 2007 to over 42 percent last year. There is obviously still much to do, and our low-income programs are a potentially untapped resource to help. Moving forward with broadband pilot programs appears to be the right next step. Adoption is not a one-size-fits-all challenge and affordability is but one of the core challenges we must face. Indeed, those making between \$15,000 and \$25,000 a year identify relevance as the primary impediment to adoption (44.3 percent), affordability is a distant second (27 percent). More money alone will not solve this problem.